SIMEKA
member of Sanlam group

Trending
1/2020

Market Overview

South African Indicators

SA Indicators	2019/12/31	Year on Year
Exchange rate (ZAR/USD)	14.00	14.35
Exchange rate (ZAR/EUR)	15.69	16.47
Exchange rate (ZAR/GBP)	18.56	18.32
CPI	0.1%	3.6%
REPO rate	6.5%	6.8%
GDP (reported quarterly to end of previous quarter)	-	0.1%
PPI	-0.3%	2.3%
Gold spot per oz	1524.46	1280.92
Brent crude per barrel	$66.15	$54.44

Market Insight

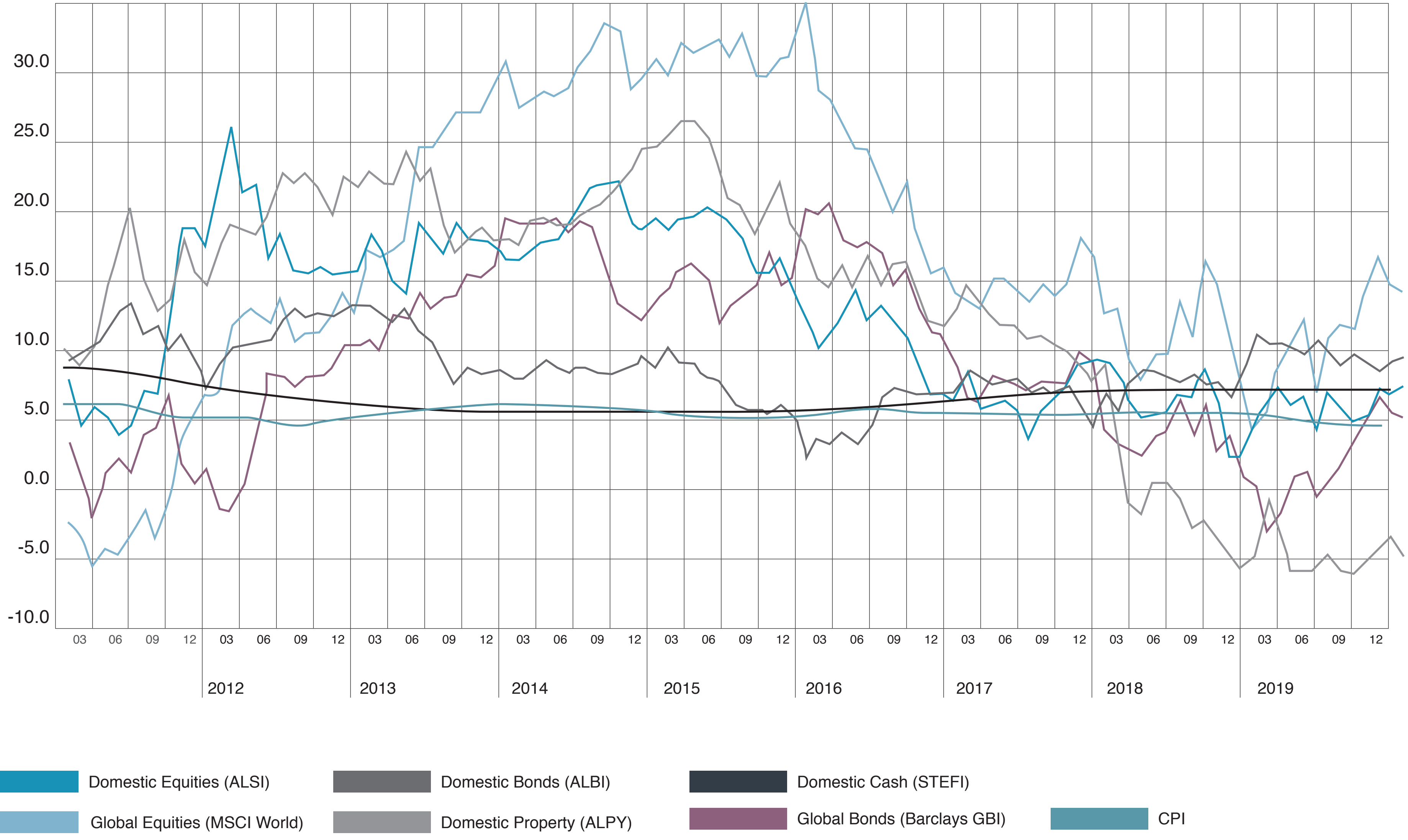
With the exception of property, all major asset classes generated inflation-beating returns in 2019.

Despite the exchange rate of the rand strengthening in 2019, global shares produced an investment return of 24.2% in rand terms. The ALSI achieved a return of 12.1% for the year, but the Capped Shareholder Weighted Index (often used for retirement funds) gained only 6.8%. Domestic bonds generated an investment return of 10.3%. The year’s standout winners were all resource shares with platinum and gold mining shares performing exceptionally well.

Investment managers produced returns of approximately 12% in 2019, which is approximately 2% better than the target of inflation plus 5.5% after fees.

Main Indices

Time Period: Since Common Inception (01/02/2008) to 31/12/2019
Rolling Window: 3 years 1 month shift



Source: Morningstar Direct

Local Equities

As of Date 31/12/2019 Currency: South African Rand

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	AL SI 12.0	ALSI 12.0	ESG 7.7	ESG 6.2	ESG 14.1	ALSI 13.9
	SWIX 9.3	SWIX 9.3	ALSI 7.4	ALSI 6.0	SWIX 11.1	SWIX 13.8
	Capped Swix 6.8	Capped SWIX 6.8	SWIX 5.4	SWIX 4.8	ALSI 10.8	
Worst	ESG 5.7	ESG 5.7	Capped SWIX 3.5	Capped SWIX 3.7		

ALSI SWIX Capped SWIX ESG

Source: Morningstar Direct

Local Equities

As of Date 31/12/2019 Currency: South African Rand

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	Growth 20.5	Growth 20.5	Growth 14.3	Growth 10.4	Growth 14.9	Growth 14.8
	Momentum 15.7	Momentum 15.7	Momentum 9.3	Momentum 4.5	Momentum 12.9	Momentum 14.3
	Low Volatility 7.6	Low Volatility 7.6	Quality 5.2	Quality 2.3	Low Volatility 10.5	Quality 13.9
	Quality -0.2	Quality -0.2	Low Volatility 1.6	Low Volatility 1.7	Quality 10.1	Low Volatility 12.7
Worst	Value -4.1	Value -4.1	Value -3.0	Value -2.0	Value -5.3	Value -10.7

Growth   Low Volatility   Quality   Value   Momentum

Source: Morningstar Direct

Global Equities

As of Date 31/12/2019 Currency: South African Rand

Best → Worst	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	NASDAQ 35.6	NASDAQ 35.6	NASDAQ 23.8	NASDAQ 21.4	NASDAQ 25.9	NASDAQ 20.0
	S&P 500 27.8	S&P 500 27.8	S&P 500 16.1	S&P 500 16.1	S&P 500 21.1	S&P 500 15.8
	MSCI World ESG 25.3	MSCI World ESG 25.3	MSCI World ESG 14.2	MSCI World 13.6	MSCI World 17.4	MSCI EM 14.6
	MSCI World 24.8	MSCI World 24.8	MSCI World 14.0	MSCI World ESG 13.6	MSCI World ESG 17.2	MSCI World 14.2
	MSCI ACWI GR USD 23.7	MSCI ACWI GR USD 23.7	MSCI EM ESG 13.9	MSCI ACWI GR USD 13.2	MSCI ACWI GR USD 16.6	MSCI ACWI GR USD 14.1
	MSCI EM ESG 16.8	MSCI EM ESG 16.8	MSCI ACWI GR USD 13.9	MSCI EM ESG 11.8	MSCI EM ESG 14.7	
Worst	MSCI EM 15.6	MSCI EM 15.6	MSCI EM 12.8	MSCI EM 10.1	MSCI EM 10.9	

S&P 500 MSCI World MSCI ACWI GR USD MSCI EM MSCI World ESG MSCI EM ESG NASDAQ

Source: Morningstar Direct

Global Equities

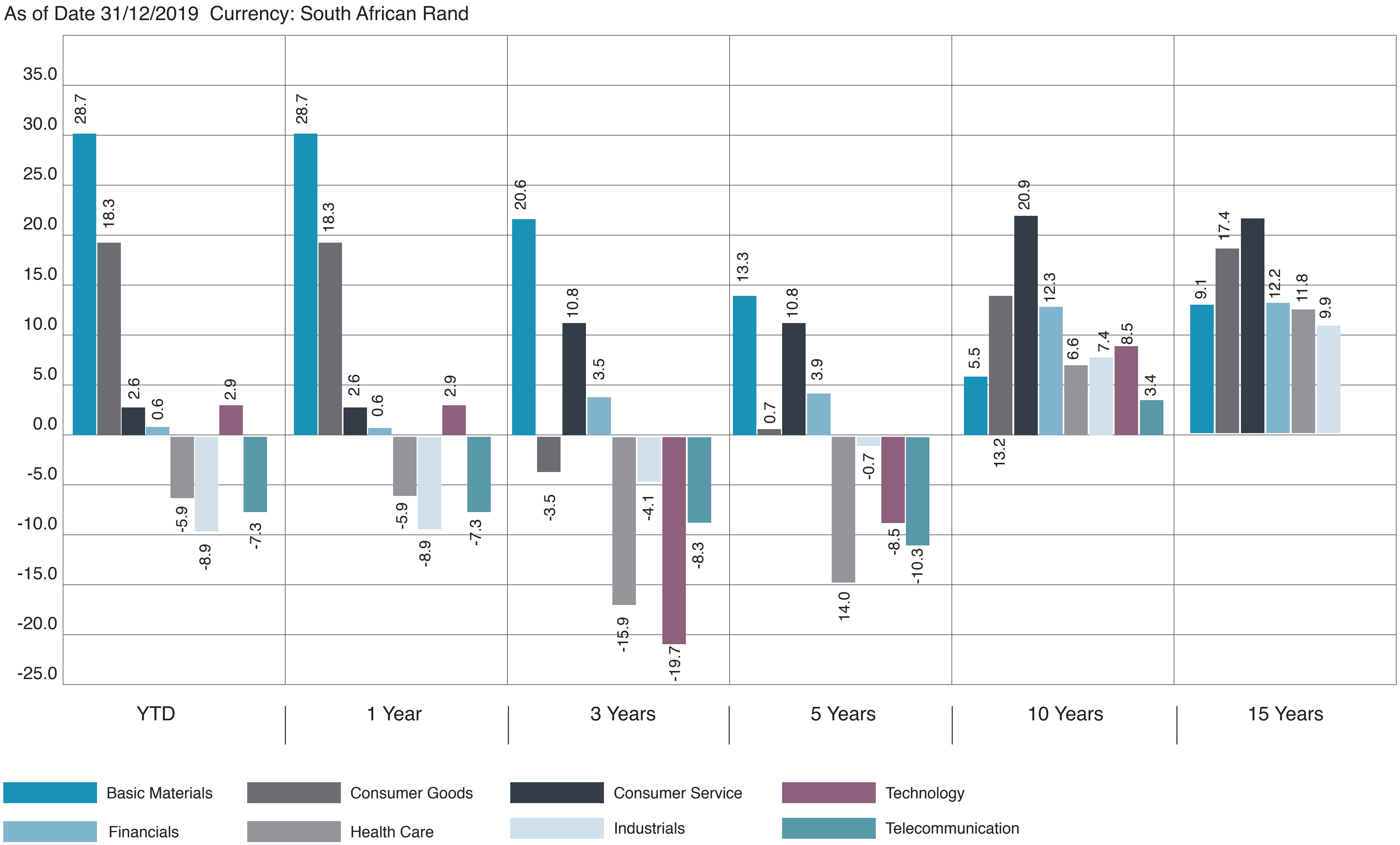
As of Date 31/12/2019 Currency: South African Rand

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	Quality 32.9	Quality 32.9	Momentum 19.3	Momentum 17.1	Momentum 21.0	Momentum 17.4
	Growth 30.4	Growth 30.4	Quality 18.9	Quality 16.8	Quality 20.2	Quality 17.0
	Momentum 24.7	Momentum 24.7	Growth 18.2	Growth 18.2	Growth 18.9	Growth 15.3
	High Dividend Yield 20.9	High Dividend Yield 20.9	Low Volatility 13.8	Low Volatility 14.8	Low Volatility 18.7	Low Volatility 15.3
	Low Volatility 20.5	Low Volatility 20.5	High Dividend Yield 12.2	High Dividend Yield 12.5	High Dividend Yield 16.4	High Dividend Yield 13.8
Worst	Value 19.3	Value 19.3	Value 10.1	Value 11.3	Value 15.8	Value 13.1

Quality Momentum Low Volatility Growth High Dividend Yield Value

Source: Morningstar Direct

Local Sectors



Source: Morningstar Direct

Market Insight

The outlook for 2020 is overshadowed by the following domestic considerations: Eskom electricity generation issues, impending junk status, lethargic economic growth, land expropriation, prescribed assets and domestic political risk. In addition, some important global issues are: geopolitical tension (in the Middle East and North Korea), presidential elections in the US, trade agreements globally and slower economic growth.

The extent to which these issues have been discounted by share prices, interest rates and exchange rates is not clear. If the risk factors have been discounted fully, investments should not perform poorly in the event that any combination of these risks materialise. However, if these risk factors have not been discounted fully, investment performance may be adversely affected.

Fundamental to the current investment environment, is the impact of US yields that rose sharply in September 2019 because of liquidity constraints when repurchase transactions ("repo trades") were unwound over quarter-end. In response to the sharp spike in yields, the US Federal Reserve increased liquidity in the US.

The encroaching fiscal cliff and continuing bailouts to Eskom and other SOE's leaves government with very little room to manoeuvre as it can either increase taxes, reduce expenditure or take steps to accelerate economic growth. It is unlikely that economic growth will accelerate or that government will reduce expenditure.

Despite a positive outlook on emerging markets, commodities (precious metals) and the expected opportunity to purchase bonds at attractive yields, one should be careful not to expect exuberant investment returns in 2020. The World Bank has reduced its forecast for economic growth in South Africa to 0.5% for 2020 showing that the risks for the year remain substantial. The key to a positive 2020 is the liquidity in the US financial system.

Will the Federal Reserve maintain the higher level of liquidity, will the exchange rate of the US dollar continue to weaken and will the stronger performance from emerging markets since September 2019 continue? On the other hand, will the numerous domestic risk factors overwhelm financial markets in South Africa? We will have to wait and see.